

# NOTE ON MATERIALITY ASSESSMENT

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## Definitions of materiality and legal disclosure requirements

The corporate reporting of sustainability issues by corporations is often the result of a materiality assessment. A materiality assessment refers to the process of identifying, refining, and assessing numerous potential environmental, social, and governance issues that could affect your business and/or your stakeholders, then condensing them into a short list of topics that inform company strategy, targets, and reporting.<sup>1</sup> A materiality assessment serves as a way of making a case to senior executives as to why and how ESG data should be reported while allowing for an opportunity to engage both internal and external stakeholders. The results of materiality analyses can be used to generate content for CSR reports or for communications with individual stakeholder groups like investors, partners, companies, or employees. A recent survey conducted by The Conference Board shows that 92 percent of the respondents undertake a materiality assessment at the onset of their sustainability program or when reviewing sustainability strategy.<sup>2</sup>

In accounting, information is considered material if it could substantively affect the organization's ability to create value in the short, medium, or long term. Financial statement items are material if they could influence the economic decisions of users. The "materiality concept" is the universally accepted accounting principle that all material matters are to be disclosed. Materiality is a term drawn from accounting and law. In law, "materiality" simply means what is relevant and important.

More specific definitions of what materiality means as it relates to sustainability reporting have been provided by the three major sustainability reporting organizations: the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB), and each of these has its own definition of materiality.

GRI's framework remains the most widely adopted global standard for sustainability reporting. With the launch of its G4 reporting standards, GRI required a specific process for materiality assessment and made the concept of materiality central to the standard. GRI's definition of Materiality under its G4/Standards, is as follows: "it has been clarified that an organization is required to identify material topics by considering the two dimensions of the principle: (1) the significance of the organization's economic, environmental, and social impacts – that is, their significance for the economy, environment, or society, as per the definition of 'impact' and (2) their substantive influence on the assessments and decisions of stakeholders. A topic can be material if it ranks highly for only one dimension of the Materiality principle."<sup>3</sup>

For IIR, "a matter is material if it is of such relevance and importance that it could substantively influence the assessments of providers of financial capital with regard to the organization's ability to create value over the short, medium and long term. In determining whether or not a matter is material, senior management and those charged with governance should consider whether the matter substantively affects, or has the potential to substantively affect, the organization's strategy, its business model, or one or more of the capitals it uses or affects."<sup>4</sup>

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<sup>1</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

<sup>2</sup> <https://conference-board.org/blog/sustainability/Materiality-Assessment-Informs-Sustainable-Strategy>

<sup>3</sup> <https://www.globalreporting.org/how-to-use-the-gri-standards/questions-and-answers/materiality-and-topic-boundary/>

<sup>4</sup> <https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Materiality.pdf>

The SASB applies the definition of materiality established under the U.S. securities laws. According to the U.S. Supreme Court, information is material if there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available.”<sup>56</sup>

Because of the different interpretations of materiality, some companies are defining what materiality means to them in their reports. For example, according to Unilever: “An issue is material to Unilever if it meets two conditions. Firstly, it impacts our business significantly in terms of growth, cost or risk. And secondly, it is important to our stakeholders – such as investors, society (citizens, NGOs, governments), consumers, customers (retailers), suppliers and our employees – and they expect us to take action on the issue. In determining if an issue is material, we consider our impacts across the value chain.”<sup>7</sup> See Table 1 for a list of materiality definitions.

**Table 1. Materiality Definitions**

<b>Definition of Materiality</b>	<b>Source</b>
“An organization is required to identify material topics by considering the two dimensions of the principle: (1) the significance of the organization’s economic, environmental, and social impacts – that is, their significance for the economy, environment or society, as per the definition of ‘impact’ – and (2) their substantive influence on the assessments and decisions of stakeholders. A topic can be material if it ranks highly for only one dimension of the Materiality principle.”	Global Reporting Initiative (GR), 2020 Materiality and Topic Boundary <sup>8</sup>
“A matter is material if it is of such relevance and importance that it could substantively influence the assessments of providers of financial capital with regard to the organization’s ability to create value over the short, medium and long term. In determining whether or not a matter is material, senior management and those charged with governance should consider whether the matter substantively affects, or has the potential to substantively affect, the organization’s strategy, its business model, or one or more of the capitals it uses or affects.”	Integrated Reporting (IR). 2013 Materiality Background Paper for <IR> <sup>9</sup>
The SASB applies the definition of “materiality” established under the U.S. securities laws. According to the U.S. Supreme Court, information is material if there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available.”	Sustainability Accounting Standards Board (SASB), 2017 SASB Conceptual Framework <sup>10</sup>
An issue is material to Unilever if it meets two conditions. Firstly, it impacts our business significantly in terms of growth, cost or risk. And secondly, it is important to our stakeholders – such as investors, society (citizens, NGOs, governments), consumers, customers (retailers), suppliers and our employees – and they expect us to take action on the issue. In determining if an issue is material, we consider our impacts across the value chain.”	Unilever, 2020 Defining our Material Issues <sup>11</sup>

<sup>5</sup> <https://www.law.cornell.edu/supremecourt/text/426/438>

<sup>6</sup> <https://www.sasb.org/wp-content/uploads/2019/05/SASB-Conceptual-Framework.pdf>

<sup>7</sup> <https://www.unilever.com/sustainable-living/our-approach-to-reporting/defining-our-material-issues/>

<sup>8</sup> <https://www.globalreporting.org/how-to-use-the-gri-standards/questions-and-answers/materiality-and-topic-boundary/>

<sup>9</sup> <https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Materiality.pdf>

<sup>10</sup> <https://www.sasb.org/wp-content/uploads/2019/05/SASB-Conceptual-Framework.pdf>

<sup>11</sup> <https://www.unilever.com/sustainable-living/our-approach-to-reporting/defining-our-material-issues/>

The US Security and Exchange Commission (SEC)<sup>12</sup> currently requires that a company completes a management discussion and analysis (MD&A) to provide an “explanation of a company’s financial statements that allows investors to view the registrant from management’s perspective.”<sup>13</sup> It considers this a “principles-based approach”, offering the companies flexibility in reporting.<sup>14</sup> Whether or not sustainability should be included into the SEC’s integrated disclosure regime has been debated for decades; now, this addition is even more pressing, as sustainability plays a role in the longevity and success of a company.<sup>15</sup> This debate inspired a disclosure reform project; however, as of February 2020, the SEC decided against requiring specific metrics for climate change and other ESG factors in materiality disclosures.<sup>16</sup>

A company may, however, be required to disclose sustainability information under regulation S-K; this calls for certain non-financial disclosure requirements associated with Form 10-K and other SEC filings. On this form, companies must describe known “trends, events, and uncertainties that are reasonably likely to have material impacts on their financial condition or operating performance in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A)”.<sup>17</sup> This includes any material information necessary to understand a company’s position and prospects, which can include information on climate change.

### Steps of the materiality assessment

Some 80% of the world’s largest 250 companies identify material sustainable issues in their reporting.<sup>18</sup> While there are different ways to conduct a material assessment depending on the industry and company, most companies follow the same general pattern, which is as follows.

#### *Step 1: Define the purpose and scope of the assessment.*

Before beginning, a firm must define the organizational scope of the assessment. This has a geographic component; in a multinational corporation, the firm must decide if they are focusing on the entire globe or a specific region. This also has an organizational component; the firm must decide which portion of the supply chain on which they are focusing.<sup>19</sup> Coca Cola, for example, operates in an extremely broad context, with an extensive supply chain, and decides to conduct an extremely complex holistic assessment of the entire firm.<sup>20</sup> Additionally, firms must use this time to also define “materiality”; in other words, firms must define how to determine what is important while also considering what audience their assessment is going to reach and whose opinions should be prioritized.<sup>21</sup>

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<sup>12</sup> <https://www.investor.gov/introduction-investing/investing-basics/role-sec#:~:text=The%20U.%20S.%20Securities%20and%20Exchange,Facilitate%20capital%20formation>

<sup>13</sup> <https://www.sec.gov/news/public-statement/peirce-mda-2020-01-30>

<sup>14</sup> <https://www.sec.gov/news/public-statement/peirce-mda-2020-01-30>

<sup>15</sup> <https://www.sec.gov/spotlight/investor-advisory-committee-2012/esg-disclosure.pdf>

<sup>16</sup> <https://execcomp.org/News/NewsStories/new-sec-guidance-confirms-materiality-standard-in-disclosure-of-esg-issues>

<sup>17</sup> <https://www.sasb.org/wp-content/uploads/2019/05/SASB-Conceptual-Framework.pdf>

<sup>18</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

<sup>19</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

<sup>20</sup> <https://www.coca-colacompany.com/content/dam/journey/us/en/policies/pdf/safety-health/coca-cola-business-and-sustainability-report-2018.pdf>

<sup>21</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

### *Step 2: Identify potential topics*

In this integral step, a firm should create an exhaustive list of all potential topics which their assessment may consider. To do so, they may brainstorm, look at competitors' reports, look at industry recommendations or stakeholder studies, and consult with other employees.

This step typically also involves creating a list of internal and external stakeholders with whom the firm intends to conduct the upcoming research. The stakeholder list should be diverse, containing persons both inside and outside of the firm with differing role, expertise, and positions.<sup>22</sup> A firm may even contact the recognized stakeholders to inform them that their input will be needed soon.<sup>23</sup>

### *Step 3: Categorize*

Likely left with a long list of topics from the previous step, the firm must next organize this list into a limited number of more general categories. It is important to note that these general categories should have the same level of specificity; in other words, you should avoid having some large general topics mixed with more granular subtopics.<sup>24</sup> Additionally, these topics should be aligned with existing terminology, strategy, and policies used by the company.<sup>25</sup> For example, UPS contextualizes the topic "customer privacy" in their assessment process by aligning it with U.S. Package Operation policies, international operation policies, and global supply chain strategies.<sup>26</sup>

### *Step 4: Conduct research on the topics*

This step is more variable than any other, as the way in which companies conduct research on the identified topics differs from firm to firm. In consulting with their stakeholders, firms may conduct meetings, dialogues, and interviews.<sup>27</sup> The most common form of stakeholder research, however, involves compiling a survey to ensure formal, structured engagements and to make it easy to analyze results.<sup>28</sup> In this case, a firm will normally send their categorized list to stakeholders and ask them to rank the issues by importance.<sup>29</sup> Depending on the stakeholder in question, different issues may be included in the survey.<sup>30</sup> Additionally, researching within company documents and research will help garner a more complete understanding of the potential each variable has to impact the business itself.

### *Step 5: prioritize*

After conducting research, the firm will typically review the results by developing a methodology for ranking issues' importance. This can be done holistically or broken down by groups of common stakeholders.<sup>31</sup> Issues can be further weighed by assigning differing levels of importance to the

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<sup>22</sup> <https://www.ecomatters.nl/news/the-8-steps-for-a-successful-materiality-assessment/>

<sup>23</sup> <https://us.anteagroup.com/news-events/blog/7-basic-steps-conducting-successful-materiality-assessment>

<sup>24</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

<sup>25</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

<sup>26</sup> [https://sustainability.ups.com/media/UPS\\_Corporate\\_Materiality.pdf](https://sustainability.ups.com/media/UPS_Corporate_Materiality.pdf)

<sup>27</sup> <https://www.ecomatters.nl/news/the-8-steps-for-a-successful-materiality-assessment/>

<sup>28</sup> <https://us.anteagroup.com/news-events/blog/7-basic-steps-conducting-successful-materiality-assessment>

<sup>29</sup> <https://us.anteagroup.com/news-events/blog/7-basic-steps-conducting-successful-materiality-assessment>

<sup>30</sup> <https://www.ecomatters.nl/news/the-8-steps-for-a-successful-materiality-assessment/>

<sup>31</sup> <https://us.anteagroup.com/news-events/blog/7-basic-steps-conducting-successful-materiality-assessment>

stakeholders which provided input.<sup>32</sup> A materiality analysis can be undermined if the firm does not link the results to existing business practice.<sup>33</sup> As such, the additional research conducted in step 4 regarding potential impacts, business-related or otherwise, will also be incorporated here in the prioritization process.

Issues are often then organized into categories, for example “economic, social, and environmental” and visualized along a matrix.<sup>34</sup> The X axis will typically be a variable relating to the potential business impact of each concern and the Y axis will typically be importance to stakeholders. This matrix easily conveys the issues in question and their significance to the company.

### *Step 6: Engage management*

As the materiality assessment process begins to conclude, the committee in charge of conducting the analysis will typically disseminate the results to the management team for review. This ensures that the assessment was credible and allows for the results to be fed into a wider corporate strategy.<sup>35</sup>

### *Step 7: Seek Stakeholder feedback*

Finally, a firm will typically create a sustainability report or summary and disseminate it to their networks via direct contact with stakeholders and social media.<sup>36</sup>

## Materiality assessment: reporting vs strategy

While materiality’s main purpose is to report issues to stakeholders, it can also be used for a strategic perspective in order to prioritize investments. Indeed, materiality assessments help investors make decisions on where to focus investments with regards to sustainability by providing a better understanding of the risks and opportunities which a business may face. Therefore, it makes sense for chief sustainability officers (CSOs) and CSR managers to use one materiality assessment for both purposes.<sup>37</sup> However, what is most “material” from a reporting standpoint may differ from what gets prioritized in a new strategy. Both reporting and strategy development involve an assessment of material issues. However, there is a fundamental tension between two objectives: deciding what to disclose in your sustainability report (largely backward looking) and deciding what to focus on in your strategy (largely forward looking). The topics prioritized and stakeholders contacted may be different.

Currently, the GRI guidance documents are focused on “what to report on, not what the strategy should be. When organizations use a materiality assessment to guide strategy, the criteria for what is getting prioritized may get mixed up.”<sup>38</sup>

Indeed, from a **reporting standpoint**, organizations aligning with GRI will want to prioritize topics based on the biggest impacts to their organization and the things that influence stakeholder decisions. Current employees, NGOs, and investors, for example, can help answer these questions.

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<sup>32</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

<sup>33</sup> <https://conference-board.org/blog/sustainability/Materiality-Assessment-Informs-Sustainable-Strategy>

<sup>34</sup> <https://us.anteagroup.com/news-events/blog/7-basic-steps-conducting-successful-materiality-assessment>

<sup>35</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>

<sup>36</sup> <https://us.anteagroup.com/news-events/blog/7-basic-steps-conducting-successful-materiality-assessment>

<sup>37</sup> <https://www.greenbiz.com/article/how-make-your-materiality-assessment-worth-effort>

<sup>38</sup> <https://www.greenbiz.com/article/how-make-your-materiality-assessment-worth-effort>

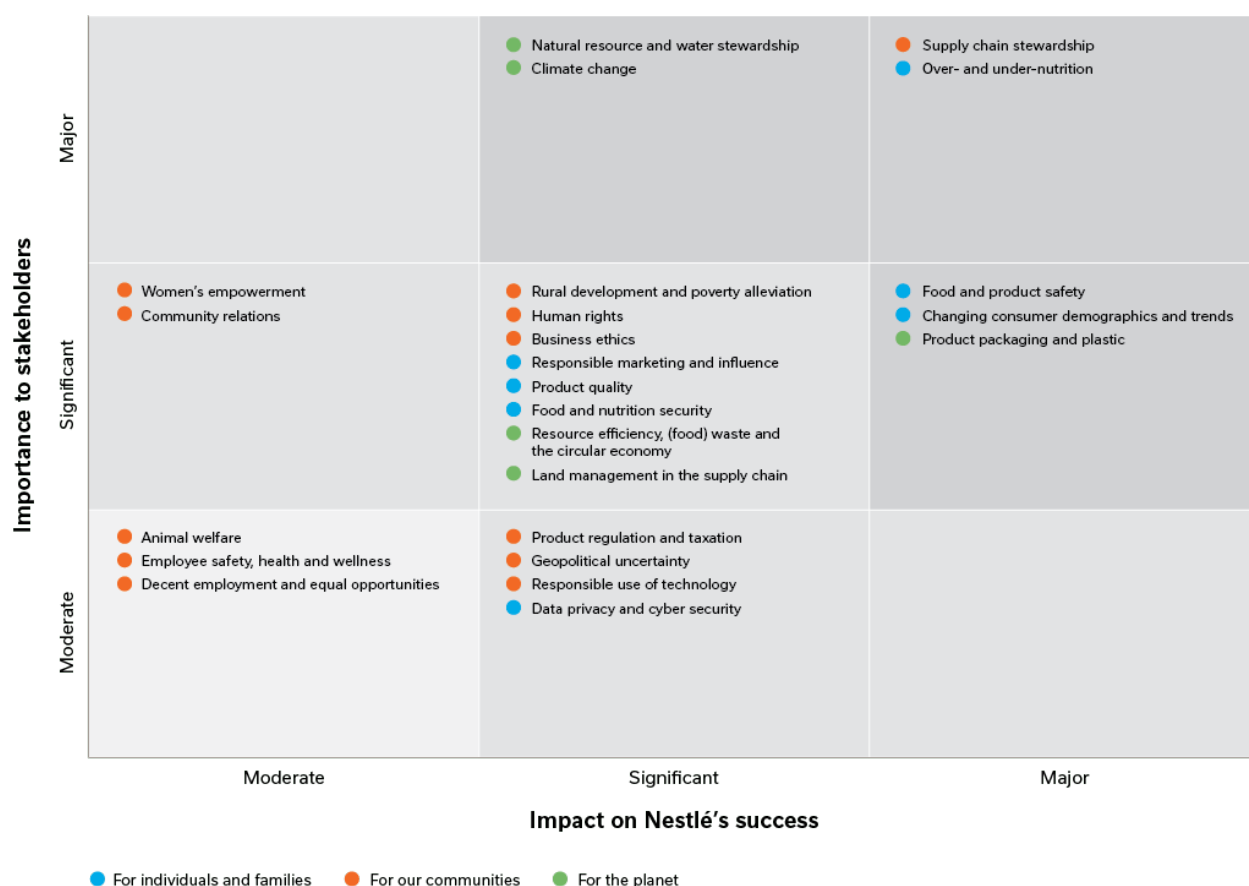
From a **strategy development standpoint**, the goal is to prioritize what an organization can or should do. In this vein, questions about what is within the company’s power to change and what tools, industry groups or new innovations exist to help them do it, can be quite helpful to the action-oriented CSO. These are different questions, and for answers, it can be useful to consult with current employees and people running industry initiatives or innovation labs. In some cases, these might be different people than those who would be consulted for disclosure purposes.”<sup>39</sup>

## Examples of materiality assessments in the food and beverage sector

### Nestle

#### Process

Nestle carries out a materiality analysis every two years.<sup>40</sup> Enterprise Risk Management specialists collaborate with investors, internal stakeholders, and external stakeholders to conduct a deep-dive value analysis focusing on key markets and growth categories. The issues are organized into a matrix; the X axis is “impact on Nestlé’s success” and the Y axis is “importance to stakeholders.” Nestle further organizes their concerns into three categories, identified by a colored point dot to each point: “for individuals and families” (blue), “for our communities” (orange), and “for the planet” (green).<sup>41</sup>



<sup>39</sup> <https://www.greenbiz.com/article/how-make-your-materiality-assessment-worth-effort>

<sup>40</sup> <https://www.nestle.com/csv/what-is-csv/materiality>

<sup>41</sup> <https://www.nestle.com/csv/what-is-csv/materiality>

## Results

The two most pressing issues included supply chain stewardship (for our communities) and over- and under-nutrition (for individuals and families). No concerns “for the planet” were considered “major” for Nestle’s success or to stakeholders. Environmental concerns given a “significant” ranking included packaging, climate change, and water resources.

## Coca Cola

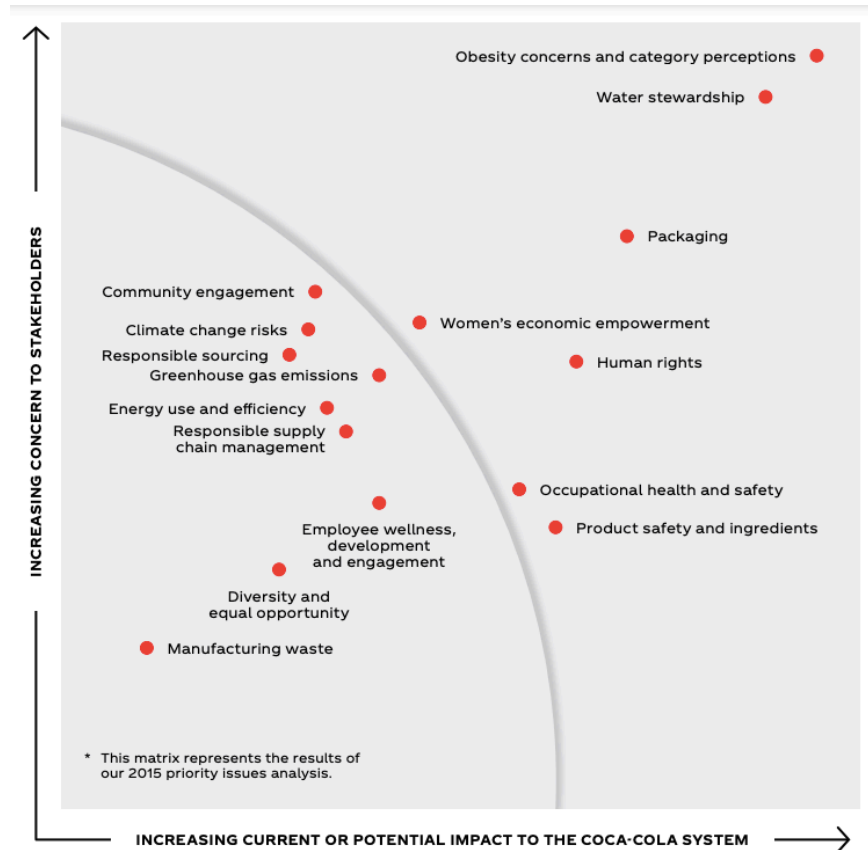
### Process

Coca-Cola operates within an extremely broad context; they require a diverse range of inputs, a condition which makes their materiality analysis complex and significant. Within their company structure, issues pertaining to diversity, sustainability, and corporate responsibility fall under the responsibility of the Public Issues and Diversity Review Committee. Once a year, or more often if necessary, the Public Issues and Diversity Review Committee reviews shareowner proposals, public policy, political contributions, charitable contributions, and sustainability issues. The committee reviews the significance of various issues for the company, makes prioritization recommendations, and finally, submits their report to the board. The board weighs the committee’s recommendations with business concerns. After this analysis, the recommendations are organized into a graph the company calls the “priority issues matrix”. On the X axis is, “current or potential impact to the Coca-Cola System”, and on the Y axis is “concern to stakeholders.”<sup>42</sup>

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<sup>42</sup> <https://www.coca-colacompany.com/content/dam/journey/us/en/policies/pdf/safety-health/coca-cola-business-and-sustainability-report-2018.pdf>





## Results

The results show that the most significant issue facing the company is obesity concerns amongst consumers. The most significant *environmental* concern relates to water resources. Because resources are threatened by pollution and scarcity is exacerbated by climate change, Coca-Cola considers this a primary concern. The second most important environmental issue is plastic waste. Changes in local regulations and cost of plastic production pose threats to Coca-Cola, so they are looking into alternatives like circular models of plastic production. Another issue highlighted include human rights, and women's economic empowerment.

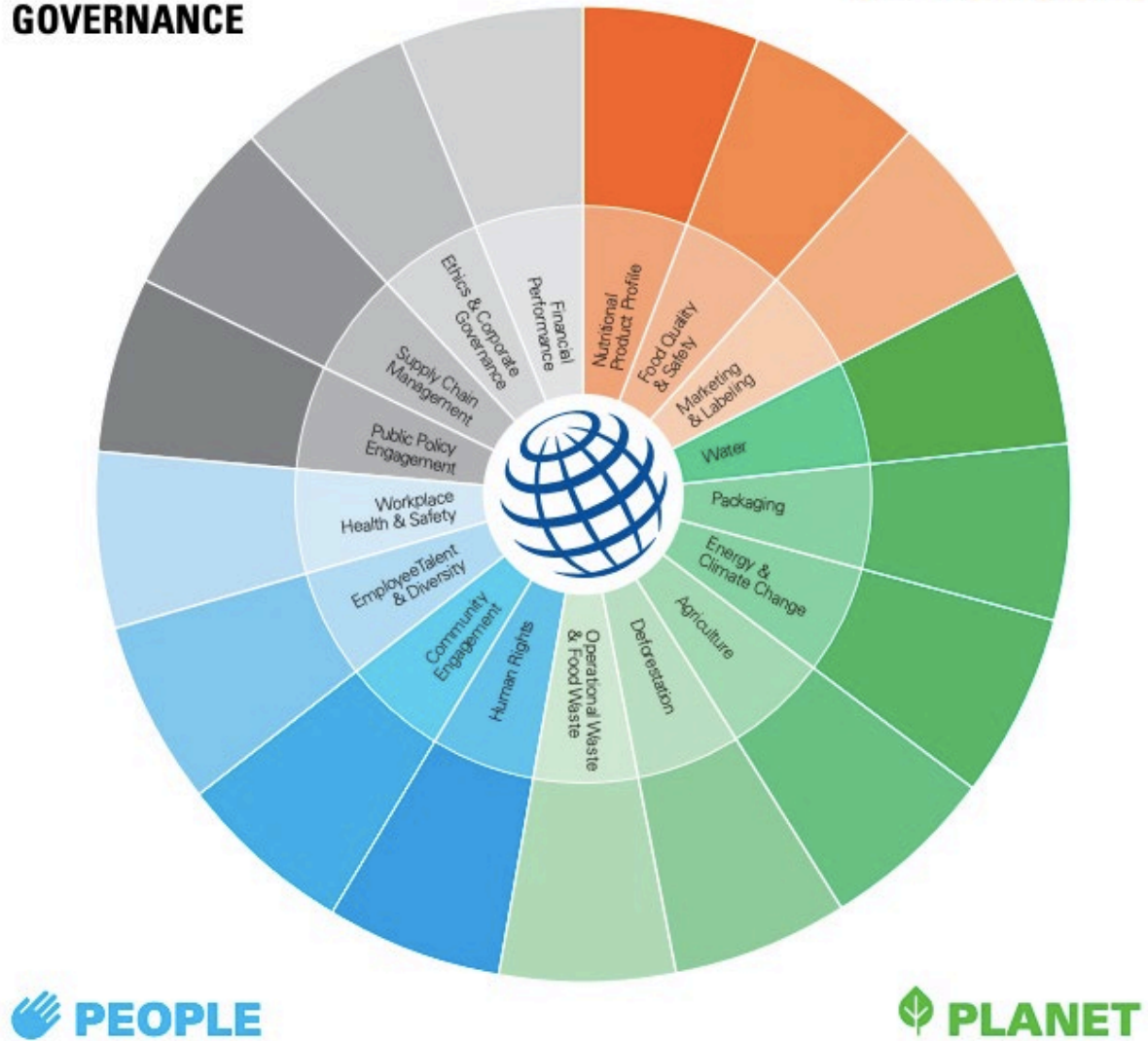
## PepsiCo

### Process

PepsiCo uses GRI's definition of materiality, focusing on economic, environmental, and social impacts, or impacts that substantively influence the decisions of stakeholders. PepsiCo continually engages with their stakeholders to keep track of important issues, especially with regards to sustainability, then compiles these concerns into a formal report on the subject using three steps. The first step is identification or choosing industry-specific topics to analyze based on current events and stakeholder concerns. The second step is prioritization, where, through research, they narrow down the list created in step one to hone in on those issues which are most pertinent. For the final step, validation, PepsiCo analyzes the results of the second step in Sustainability, Communications and Public Policy and Government Affairs leadership teams. After these three steps have been completed, the results are submitted to the PepsiCo Executive Committee before disseminating them broadly.

**COMPANY &  
GOVERNANCE**

**♥ PRODUCTS**



**PEOPLE**

**PLANET**

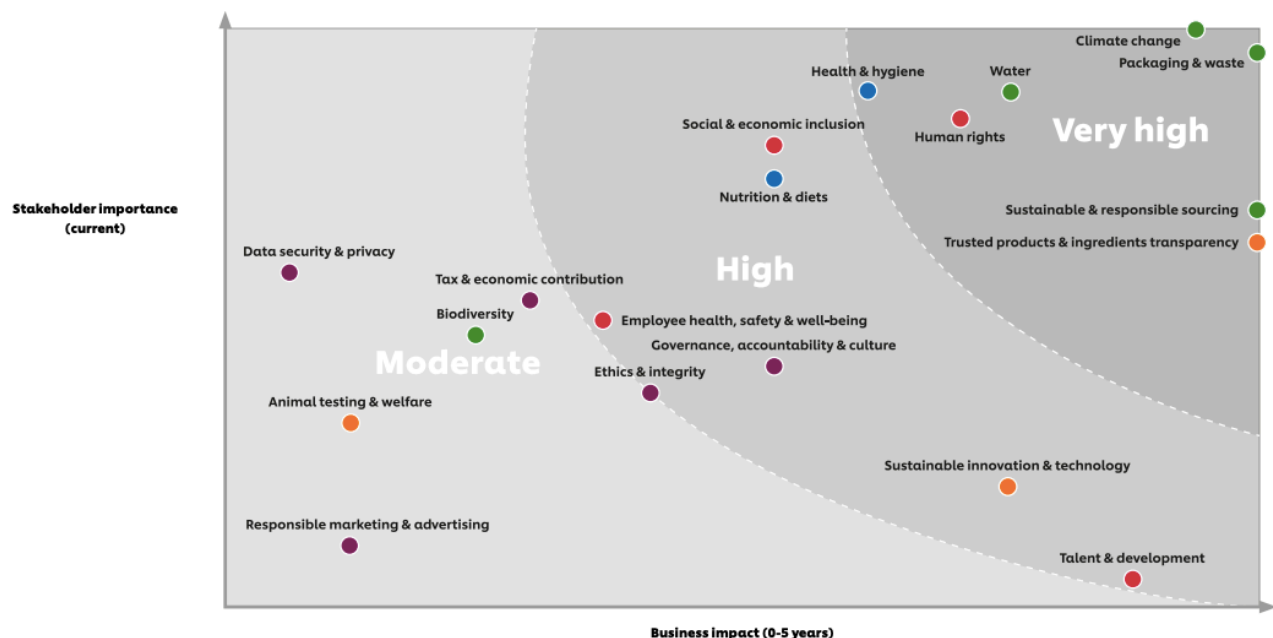
## Results

While most large companies organize their materiality analyses into a matrix to analyze importance, PepsiCo instead analyzes importance in the second step of the process, “prioritization” and then visualizes the topics by category, using a color gradient to establish priority within category. They note that if changes occur, existing topics will be removed and replaced with more important topics. In the context of sustainability, PepsiCo’s top issues are water, packaging, and energy and climate change.<sup>43</sup>

## Unilever

### Process

Unilever conducts a materiality analysis every year. While they used to rely on reports, focus groups, and interviews, Unilever upgraded their process in 2019 to utilize an Artificial Intelligence powered materiality tool to harness big data. The tool uses a rigorous scoring method to narrow down and group stakeholder’s concerns from the company database. Next, the concerns are organized into broader, more general “issues”. For example, the topics “food waste”, “microplastics”, “marine life & plastic pollution”, and more fall under the issue “packaging and waste”. These issues are organized into color-coded categories: health and well-being (blue), environmental impact (green), enhancing livelihoods (red), business practice (purple), and wider sustainability (orange). The issues, with their color codes, are organized into a matrix.



## Results

The results of Unilever’s materiality analysis show that the company takes sustainability seriously. The four highest ranked issues all regard sustainability: climate change, packaging & waste, water, and sustainable & responsible sourcing.<sup>44</sup>

<sup>43</sup> [https://www.pepsico.com/docs/album/sustainability-report/2017-csr/pepsico\\_2017\\_csr.pdf](https://www.pepsico.com/docs/album/sustainability-report/2017-csr/pepsico_2017_csr.pdf)

<sup>44</sup> <https://www.unilever.com/sustainable-living/our-approach-to-reporting/defining-our-material-issues/>

## Examples of materiality assessments in other sectors

Sector	Links to Materiality Assessments
Agriculture, Forestry and Fishing	<ul style="list-style-type: none"> <li>• Cargill Inc. <a href="https://www.cargill.com/static/brazil-annual-report/2016-en/about_the_report.html">https://www.cargill.com/static/brazil-annual-report/2016-en/about_the_report.html</a></li> <li>• Bayer AG <a href="https://www.bayer.com/en/sustainability/sustainability-management">https://www.bayer.com/en/sustainability/sustainability-management</a></li> <li>• Syngenta AG <a href="https://www.syngenta.com/sustainability/reporting-on-sustainability/materiality-assessment">https://www.syngenta.com/sustainability/reporting-on-sustainability/materiality-assessment</a></li> </ul>
Automotive	<ul style="list-style-type: none"> <li>• Toyota <a href="https://www.toyota.com.cy/world-of-toyota/sustainability/sustainability-reporting">https://www.toyota.com.cy/world-of-toyota/sustainability/sustainability-reporting</a></li> <li>• Volkswagen <a href="https://www.volkswagenag.com/en/sustainability/reporting.html">https://www.volkswagenag.com/en/sustainability/reporting.html</a></li> <li>• Hyundai <a href="https://www.hyundai.com/content/dam/hyundai/ww/en/images/company/sustainability/about-sustainability/hmc-2019-sustainability-report-v3-en.pdf">https://www.hyundai.com/content/dam/hyundai/ww/en/images/company/sustainability/about-sustainability/hmc-2019-sustainability-report-v3-en.pdf</a></li> </ul>
Aviation	<ul style="list-style-type: none"> <li>• Boeing <a href="http://www.boeing.com/principles/environment/report/index.page">http://www.boeing.com/principles/environment/report/index.page</a></li> <li>• Airbus <a href="https://www.airbus.com/company/sustainability/reporting-and-performance-data/our-approach-to-reporting.html">https://www.airbus.com/company/sustainability/reporting-and-performance-data/our-approach-to-reporting.html</a></li> <li>• Lockheed Martin <a href="https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2019.pdf">https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2019.pdf</a></li> </ul>
Chemicals	<ul style="list-style-type: none"> <li>• DowDuPont <a href="https://corporate.dow.com/en-us/science-and-sustainability/reporting.html">https://corporate.dow.com/en-us/science-and-sustainability/reporting.html</a></li> <li>• Basf <a href="https://www.basf.com/us/en/who-we-are/sustainability/management-goals-and-dialog/management/topics.html">https://www.basf.com/us/en/who-we-are/sustainability/management-goals-and-dialog/management/topics.html</a></li> <li>• Sinopec <a href="http://www.sinopecgroup.com/group/en/Resource/pdf/2020032945.pdf">http://www.sinopecgroup.com/group/en/Resource/pdf/2020032945.pdf</a></li> </ul>
Commercial Services	<ul style="list-style-type: none"> <li>• Accenture plc <a href="https://www.accenture.com/_acnmedia/PDF-120/Accenture-Corporate-Citizenship-Report-2019.pdf">https://www.accenture.com/_acnmedia/PDF-120/Accenture-Corporate-Citizenship-Report-2019.pdf</a></li> <li>• Veolia Environnement SA <a href="https://www.veolia.com/sites/g/files/dvc2491/files/imported-documents/2016/11/2011-CSR-Performance-Digest_0.pdf">https://www.veolia.com/sites/g/files/dvc2491/files/imported-documents/2016/11/2011-CSR-Performance-Digest_0.pdf</a></li> </ul>
Computers	<ul style="list-style-type: none"> <li>• Lenovo <a href="https://www.lenovo.com/us/en/social_responsibility/2017.18-lenovo-sustainability-report.pdf">https://www.lenovo.com/us/en/social_responsibility/2017.18-lenovo-sustainability-report.pdf</a></li> <li>• HP <a href="https://www8.hp.com/h20195/v2/GetPDF.aspx/c06601778.pdf">https://www8.hp.com/h20195/v2/GetPDF.aspx/c06601778.pdf</a></li> </ul>
Construction	<ul style="list-style-type: none"> <li>• Bechtel <a href="https://www.bechtel.com/getmedia/fba1f2be-0869-4ce8-97ca-bc9fc90b0ee1/2017-Bechtel-Sustainability-Report-ns.pdf?ext=.pdf">https://www.bechtel.com/getmedia/fba1f2be-0869-4ce8-97ca-bc9fc90b0ee1/2017-Bechtel-Sustainability-Report-ns.pdf?ext=.pdf</a></li> </ul>

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Consumer Durables	<ul style="list-style-type: none"> <li>• ABB <a href="https://sustainabilityreport2019.abb.com/governance/material-issues.html">https://sustainabilityreport2019.abb.com/governance/material-issues.html</a></li> <li>• Ball Corporation <a href="https://www.ball.com/Ball/media/Ball/Global/Downloads/Ball-Sustainability-Materiality-Matrix-2018.pdf">https://www.ball.com/Ball/media/Ball/Global/Downloads/Ball-Sustainability-Materiality-Matrix-2018.pdf</a></li> </ul>
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Equipment	<ul style="list-style-type: none"> <li>• Accenture plc <a href="https://www.accenture.com/_acnmedia/PDF-120/Accenture-Corporate-Citizenship-Report-2019.pdf">https://www.accenture.com/_acnmedia/PDF-120/Accenture-Corporate-Citizenship-Report-2019.pdf</a></li> <li>• Veolia Environnement SA <a href="https://www.veolia.com/sites/g/files/dvc2491/files/imported-documents/2016/11/2011-CSR-Performance-Digest_0.pdf">https://www.veolia.com/sites/g/files/dvc2491/files/imported-documents/2016/11/2011-CSR-Performance-Digest_0.pdf</a></li> <li>• Adecco Group AG <a href="https://www.adeccogroup.com/sustainability/">https://www.adeccogroup.com/sustainability/</a></li> </ul>
Financial Services	<ul style="list-style-type: none"> <li>• Goldman Sachs <a href="https://www.goldmansachs.com/s/sustainability-report/index.html">https://www.goldmansachs.com/s/sustainability-report/index.html</a></li> <li>• JP Morgan <a href="https://reports.jpmorganchase.com/corporate-responsibility/2018/cr-2018-home.htm">https://reports.jpmorganchase.com/corporate-responsibility/2018/cr-2018-home.htm</a></li> <li>• Morgan Stanley <a href="https://www.morganstanley.com/pub/content/dam/msdotcom/about-us/giving-back/sustainability-at-morgan-stanley/2018_MS_Sustainability_Report.pdf">https://www.morganstanley.com/pub/content/dam/msdotcom/about-us/giving-back/sustainability-at-morgan-stanley/2018_MS_Sustainability_Report.pdf</a></li> </ul>
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Forest and Paper Products	<ul style="list-style-type: none"> <li>• Georgia Pacific <a href="https://www.gp.com/wp-content/uploads/2019/11/sustainability-highlights-brochure-georgia-pacific.pdf">https://www.gp.com/wp-content/uploads/2019/11/sustainability-highlights-brochure-georgia-pacific.pdf</a></li> <li>• International Paper <a href="http://www.internationalpaper.com/apps/sustainabilityreport2013/our-approach-to-sustainability/materiality.html">http://www.internationalpaper.com/apps/sustainabilityreport2013/our-approach-to-sustainability/materiality.html</a></li> <li>• Oji Paper <a href="https://www.ojiholdings.co.jp/english/environment/">https://www.ojiholdings.co.jp/english/environment/</a></li> </ul>

Healthcare Products	<ul style="list-style-type: none"> <li>• CVS Health Corp. <a href="https://cvshealth.com/social-responsibility/corporate-social-responsibility/materiality-assessment">https://cvshealth.com/social-responsibility/corporate-social-responsibility/materiality-assessment</a></li> <li>• UnitedHealth Group Inc. <a href="https://www.unitedhealthgroup.com/content/dam/UHG/Images/newsroom-2020/sustainability-report-2019.pdf">https://www.unitedhealthgroup.com/content/dam/UHG/Images/newsroom-2020/sustainability-report-2019.pdf</a></li> <li>• McKesson Corp. <a href="https://www.mckesson.com/About-McKesson/Corporate-Citizenship/">https://www.mckesson.com/About-McKesson/Corporate-Citizenship/</a></li> </ul>
Household and Personal Products	<ul style="list-style-type: none"> <li>• Procter &amp; Gamble <a href="https://us.pg.com/sustainability-reports/">https://us.pg.com/sustainability-reports/</a></li> <li>• Unilever <a href="https://www.unilever.com/sustainable-living/our-approach-to-reporting/defining-our-material-issues/">https://www.unilever.com/sustainable-living/our-approach-to-reporting/defining-our-material-issues/</a></li> <li>• L'Oreal Group <a href="https://www.loreal.com/en/articles/loreal-sustainability-challenges/">https://www.loreal.com/en/articles/loreal-sustainability-challenges/</a></li> </ul>
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Metal Products	<ul style="list-style-type: none"> <li>• ArcelorMittal <a href="https://corporate.arcelormittal.com/sustainability/materiality">https://corporate.arcelormittal.com/sustainability/materiality</a></li> <li>• Nippon Steel &amp; Sumitomo Metal Corporation (NSSMC) <a href="https://www.nipponsteel.com/en/csr/">https://www.nipponsteel.com/en/csr/</a></li> </ul>
Mining	<ul style="list-style-type: none"> <li>• Glencore PLC <a href="https://www.glencore.com/dam:jcr/afc474ef-62c3-4f03-af14-0884b96fcae4/Our-approach-to-sustainability.pdfG">https://www.glencore.com/dam:jcr/afc474ef-62c3-4f03-af14-0884b96fcae4/Our-approach-to-sustainability.pdfG</a></li> <li>• BHP Group Ltd. <a href="https://www.bhp.com/investor-centre/sustainability-report-2019/">https://www.bhp.com/investor-centre/sustainability-report-2019/</a></li> <li>• Rio Tinto PLC <a href="https://www.riotinto.com/sustainability/sustainability-reporting">https://www.riotinto.com/sustainability/sustainability-reporting</a></li> </ul>
Public Agency	<ul style="list-style-type: none"> <li>• MSL Group <a href="https://salterbaxter-dot-com.cdn.prismic.io/salterbaxter-dot-com%2F8b970d1c-7f42-4c11-bada-d4907f72beb1_sb+uncop+2018_130819_ab.pdf">https://salterbaxter-dot-com.cdn.prismic.io/salterbaxter-dot-com%2F8b970d1c-7f42-4c11-bada-d4907f72beb1_sb+uncop+2018_130819_ab.pdf</a></li> <li>• Ketchum <a href="https://www.ketchum.com/wp-content/uploads/2018/12/KSR-REPORT.pdf">https://www.ketchum.com/wp-content/uploads/2018/12/KSR-REPORT.pdf</a></li> </ul>
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Real Estate	<ul style="list-style-type: none"> <li>• Brookfield Asset Management <a href="https://www.brookfield.com/sites/default/files/2019-02/bam_esg_brochure_2018.pdf">https://www.brookfield.com/sites/default/files/2019-02/bam_esg_brochure_2018.pdf</a></li> <li>• Prologis <a href="https://www.prologis.com/esg-report/2019/gri-materials">https://www.prologis.com/esg-report/2019/gri-materials</a></li> </ul>
Retailers	<ul style="list-style-type: none"> <li>• Walmart <a href="https://corporate.walmart.com/media-library/document/2019-environmental-social-governance-report/_proxyDocument?id=0000016c-20b5-d46a-afff-f5bdafd30000">https://corporate.walmart.com/media-library/document/2019-environmental-social-governance-report/_proxyDocument?id=0000016c-20b5-d46a-afff-f5bdafd30000</a></li> <li>• Amazon <a href="https://s3-eu-west-1.amazonaws.com/a2a-be/a2a/materiality-matrixpdf.pdf">https://s3-eu-west-1.amazonaws.com/a2a-be/a2a/materiality-matrixpdf.pdf</a></li> <li>• Costco <a href="https://mobilecontent.costco.com/live/resource/img/sustainability-archive/2018-sustainability-archive.pdf">https://mobilecontent.costco.com/live/resource/img/sustainability-archive/2018-sustainability-archive.pdf</a></li> <li>• The Kroger Co . <a href="http://sustainability.kroger.com/about-report.html">http://sustainability.kroger.com/about-report.html</a></li> </ul>
Technology Hardware	<ul style="list-style-type: none"> <li>• Apple Inc. <a href="https://www.apple.com/environment/pdf/Apple_Environmental_Responsibility_Report_2018.pdf">https://www.apple.com/environment/pdf/Apple_Environmental_Responsibility_Report_2018.pdf</a></li> <li>• Microsoft Corp. <a href="https://www.microsoft.com/en-us/corporate-responsibility/reporting-governance">https://www.microsoft.com/en-us/corporate-responsibility/reporting-governance</a></li> <li>• Intel Corp. <a href="http://csrreportbuilder.intel.com/pdfbuilder/pdfs/CSR-2018-Full-Report.pdf">http://csrreportbuilder.intel.com/pdfbuilder/pdfs/CSR-2018-Full-Report.pdf</a></li> </ul>
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Textiles and Apparel	<ul style="list-style-type: none"> <li>• Nike <a href="https://purpose.nike.com/reports">https://purpose.nike.com/reports</a></li> <li>• Inditex <a href="http://static.inditex.com/annual_report_2016/en/sustainable-strategy/materiality-analysis/">http://static.inditex.com/annual_report_2016/en/sustainable-strategy/materiality-analysis/</a></li> <li>• Adidas <a href="https://www.adidas-group.com/en/sustainability/managing-sustainability/partnership-approach/materiality-analysis/">https://www.adidas-group.com/en/sustainability/managing-sustainability/partnership-approach/materiality-analysis/</a></li> </ul>
Tobacco	<ul style="list-style-type: none"> <li>• Philip Morris <a href="https://www.pmi.com/media-center/news/material-impacts-defining-our-sustainable-priorities">https://www.pmi.com/media-center/news/material-impacts-defining-our-sustainable-priorities</a></li> <li>• British American Tobacco <a href="https://www.bat.com/materiality">https://www.bat.com/materiality</a></li> <li>• Japan Tobacco International <a href="https://www.jt.com/sustainability/strategy/materiality_strategy_sdgs/index.html">https://www.jt.com/sustainability/strategy/materiality_strategy_sdgs/index.html</a></li> </ul>
Tourism/Leisure	<ul style="list-style-type: none"> <li>• Brookings Holdings <a href="https://ir.bookingholdings.com/static-files/dde2c990-874d-43bf-a84d-e461370816b5">https://ir.bookingholdings.com/static-files/dde2c990-874d-43bf-a84d-e461370816b5</a></li> </ul>

Toys	<ul style="list-style-type: none"> <li>• Lego <a href="https://www.lego.com/cdn/cs/aboutus/assets/blt9f56973f588882fd/Responsibility-Report-2018.pdf">https://www.lego.com/cdn/cs/aboutus/assets/blt9f56973f588882fd/Responsibility-Report-2018.pdf</a></li> <li>• Matell <a href="https://corporate.mattel.com/en-us/citizenship">https://corporate.mattel.com/en-us/citizenship</a></li> </ul>
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Water Utilities	<ul style="list-style-type: none"> <li>• American Water Works Company <a href="https://ir.amwater.com/Resources/old-esg-images/American+Water+2017-2018+Sustainability+Report.pdf?language_id=1">https://ir.amwater.com/Resources/old-esg-images/American+Water+2017-2018+Sustainability+Report.pdf?language_id=1</a></li> <li>• American States Water Company <a href="https://americanstateswatercompany.gcs-web.com/static-files/471a5e37-0854-43a6-9ea3-5e2f2838e56f">https://americanstateswatercompany.gcs-web.com/static-files/471a5e37-0854-43a6-9ea3-5e2f2838e56f</a></li> </ul>

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## ADDITIONAL TEXT NOT CURRENTLY USED

### Definition

“Materiality means analyzing which issues are the most important of being addressed by businesses. After identifying potential sustainability issues thought to be directly relevant to an organization’s value chain, these issues are analyzed using 2 different lenses. So for issues such as reducing plastic packaging, sharing wealth or working with sustainable suppliers, the organization needs to evaluate: 1) what’s the potential of each issue to positively or negatively impact organizational growth, cost, or trust and 2) how important is each issue to stakeholders. The ultimate result is a visual representation of which issues should be prioritized according to their importance to the company’s success and stakeholders’ expectations (that can directly affect the first).

In other words, a materiality analysis is a methodology a company can use to identify and estimate possible Environmental, Social and Governance (ESG) which might impact the business and its stakeholders. As EY puts it, companies need to ask whether the issues to cover in the sustainability report and disclosures are important enough to influence a stakeholder’s decisions in relation to the business. As a result of this analysis, companies can create their long-term ESG strategy, targets and find the best strategies to report the data found as a result of the process.”<sup>45</sup>

A process in which you identify the environmental, social, governance and broader emerging issues, such as digitalization, innovation, geopolitical events that are most important given the operating context of your business.”	Datamaran, 2018 Seven Tips To The Perfect Materiality Analysis <sup>46</sup>
“A process in which you identify the environmental, social, governance and broader emerging issues, such as digitalization, innovation, geopolitical events that are most important given the operating context of your business.”	Datamaran, 2018 Seven Tips To The Perfect Materiality Analysis <sup>47</sup>
“A materiality analysis is a method to identify and prioritize the issues that are most important to an organization and its stakeholders.”	<sup>48</sup>

### Other good industry examples

Hilton [https://cr.hilton.com/wp-content/uploads/2019/05/2018\\_Hilton\\_Materiality\\_Assessment.pdf](https://cr.hilton.com/wp-content/uploads/2019/05/2018_Hilton_Materiality_Assessment.pdf)

### From Anteagroup

<https://us.anteagroup.com/en-us/blog/7-basic-steps-conducting-successful-materiality-assessment>

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<sup>45</sup> <https://youmatter.world/en/definition/materiality-assessment-definition/#:~:text=A%20materiality%20analysis%20is%20a,an%20organization%20and%20its%20stakeholders.>

<sup>46</sup> <https://www.datamaran.com/blog/seven-tips-perfect-materiality-analysis/>

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## DEFINING STAKEHOLDERS & (ESG) MATERIALITY PRIORITIES

### 1. IDENTIFY INTERNAL AND EXTERNAL STAKEHOLDERS

Materiality assessments are most valuable when you're able to gather diverse insights from inside and outside company walls.

Begin the materiality process by creating a list of relevant stakeholder groups, then identify key contacts within each who can provide a meaningful perspective on your company's sustainability strategy. Take into account both internal (i.e., executive leadership, directors, regional managers, employees) and external contacts (i.e., trade associations, key customers, NGOs) so you can evaluate a wide range of perspectives across the value chain.

### 2. CONDUCT SOME INITIAL STAKEHOLDER OUTREACH

Once you've zeroed in on who you'd like to engage, get in touch with them early on to set the stage and let them know you want their participation.

Keep your pitch as concise as possible without leaving out essential details. Your objective should be to express to the participant group why their unique insights are valuable and how their insights will be used to inform your company's sustainability strategy and business practices.

### 3. IDENTIFY AND PRIORITIZE WHAT YOU WANT TO MEASURE

Once you've identified and engaged with stakeholders, determine what sustainability indicators to measure so you actually get the insights you want and need. Sustainability indicators are often categorized in three ways:

Economic (e.g., revenue, profit, company turnover)

Social (e.g., labor statistics, human rights, consumer issues, community impact)

Environmental (e.g., water stewardship, greenhouse gas emissions, waste management)

Use data you've already collected, any initial insights stakeholders have provided, media research, and other resources such as GRI, SASB, and CSR Europe to determine which indicators are most relevant to your business.

## YOUR MATERIALITY ASSESSMENT SURVEY

### 4. DESIGN YOUR MATERIALITY SURVEY

To get the best results, materiality assessments should be formal, structured engagements with stakeholders—not informal Q&A's or workshops. We suggest using a traditional survey format to make it easy for stakeholders to complete and easy for you to analyze results.

In the survey, ask stakeholders to rate the importance and impact of each indicator you've identified on a numerical scale, such as 1-5 or 1-10. This will give you quantitative data that can be analyzed and explained visually. Leave additional space for written insights and comments to enhance the results you receive.

Once you have the content and design of your survey complete, you need to put into a form that is easily accessible and simple to complete. Consider investing in software that can streamline collection and reporting, or utilize surveying tools such as Survey Monkey, Typeform, or Google Forms.

### 5. LAUNCH YOUR SURVEY AND START COLLECTING INSIGHTS

Now that you've identified your influencers, engaged with them and created your survey questions, it's time to invite people to take your survey.

Reach back out to your stakeholders and provide them with the link to the survey and a deadline. In addition, make sure to thank them for their willingness to participate, and offer to be a resource for any questions they may have. When the deadline approaches, reach back out to those who have yet to complete the survey to remind them of the deadline.

## EVALUATE & SYNTHESIZE MATERIALITY SURVEY RESPONSES

### 6. ANALYZE THE INSIGHTS

You've worked hard to gather these insights, and now it's time to draw some meaning from them.

Review all of the results collectively, rolling up rankings according to reviewed indicator. You can create different roll-ups depending on the stakeholder group (e.g. internal vs. external rating, management vs. employee ratings, etc.) Make sure to review specific comments, because the comments are often where the most value is derived.

Analyze insights individually to determine what issues are most important to each stakeholder group. In addition, bring all the data together to find commonalities. You can create several graphs to help map out trends and observations, but the end result should be a formal matrix graph that plots how each indicator ranks in significance relative to stakeholder influence.

### 7. PUT THOSE INSIGHTS INTO ACTION

While materiality assessments are certainly an exercise in stakeholder engagement, the engagement shouldn't end after they complete the survey.

Share your results and insights with your stakeholders (and beyond!). This is typically done in a formal sustainability report or summary, but then can be shared more widely through other channels, such as the company website or media releases.

Sharing your materiality assessment results can serve as a starting point for continuing the conversation and maintaining engagement with your sustainability initiatives. Welcome feedback from all stakeholders who view your materiality assessment results so that you can keep the conversation flowing after the assessment is complete. In addition, incorporate your findings into your overall sustainability strategy so you can create communications plans for each group, and more effectively tell your company's sustainability story.

While a materiality assessment requires time, effort and resources, it's an invaluable tool for gathering insights that can drive your sustainability strategy and enable meaningful reporting.

If you don't have the expertise or in-house resources to conduct a materiality assessment, a sustainability consulting firm like Antea Group has a team of experienced sustainability professionals that can help.

